

LESSON PLAN

The Art of Budgeting

Assist in identifying and prioritizing personal and financial goals, create a plan to achieve those goals, and provide practice in setting up and maintaining a personal budget.

Learning Objective(s):

- Identify and prioritize some of your personal and financial goals
- Identify the steps you can take and the resources you will need to achieve your goals
- Identify and examine your current spending behaviors and patterns
- Understand what it means to budget, and identify the reasons to maintain a budget
- Create and maintain a personal budget that supports your personal and financial goals

Target Group:

- **Grade 7 – Grade 8**

Lesson Excerpt:

A personal budget is a financial plan that allocates future income toward expenses, savings, and debt repayment. “Where does the money go?” is a common dilemma faced by many individuals and households when it comes to budgeting and money management.

Effective money management starts with a goal and a step-by-step plan for saving and spending. Financial goals should be realistic, be specific, have a timeframe, and imply an action to be taken. This lesson will encourage students to take the time and effort to develop their own personal financial goals and budget.

In this chapter students will monitor their spending habits (in writing) and will be able to better obtain the most value for their available dollars. We will also demonstrate that by carefully considering needs and wants, an individual or family will spend appropriate amounts for current living expenses, while saving and investing for long-term financial security.

Students' Activities:

1-1 What Are Your Goals?

- Ask students what some of their goals are, based on their life situation. List them at the front of the room, separating them into short-, intermediate-, and long-term goals.
- Pick one goal from each group. Have the class brainstorm steps they can take and the resources needed to achieve those goals.
- Have students individually work through “What Are Your Goals?” and “Working with Your Goals.”

1-2 Where Does Your Money Come From?

- Have students identify their current or potential (new job, career change) sources of income.
- Discuss the feelings of being financially dependent vs. financially independent.

1-3 Where Does Your Money Go?

- Have students keep a record of everything they spend during a one-month period.
- Ask students what patterns they can see in their spending habits.
- Discuss topics such as impulse buying, how to decide what to purchase, and what factors might influence purchasing decisions.

1-4 Setting Up and Maintaining a Personal Budget

- Have students set up a personal budget that supports their personal and financial goals.
- Ask students to try to stick to their budget for one month.
- After the month has passed, discuss what it was like to stick to a budget. Was the budget realistic? Where did they overspend? In which areas did they spend less than what they planned? Were they able to make progress toward their financial goals? What would they change about their budget?

1-5 Rework a Budget

- Have students set up, maintain, and rework a budget for the scenarios and then for themselves.

1-6 Lesson Quiz

1-1 What are your goals?

1. Why set goals?
2. List your goals
3. Goal ranges:
 - Short-term goals (1–4 weeks)
 - Medium-term goals (2–12 months)
 - Long-term goals (1 year or longer)
4. Prioritize your goals
5. What can you do to work toward your goals?
6. What resources do you need to achieve your goals?
 - Personal (abilities, skills, time, education, etc.)
 - External (money, car, tools, etc.)

1-2 Where does your money come from?

1. Current sources of income
 - Job(s)
 - Parents
 - Alimony/child support
 - Investments

2. How it feels...

- To be financially dependent
- To be financially independent

1-3 Where does your money go?

1. Keep track of everything spent in one month:

- What did you buy?
- Can you see a pattern in your spending habits?
- What did you need?
- What did you want?

2. How did you decide what to spend and where to spend it?

- Categorize how money is currently spent (e.g., clothing, food, CDs, automobile, etc.)
- Name areas that might be added to this list in the near future
- Review concepts and skills of making decisions

3. What might make a habitual Spender turn into a Saver? What could turn a Saver into a Spender?

1-4 Why budget?

1. What do you think of when you hear the word “budget”?

- Write responses on board
- Reinforce the concept that YOU control the budget, the budget doesn't control you

2. Reasons to budget:

- To determine how much money you have to spend
- To decide how you want to spend your money
- To determine how to spend money in the future
- To learn to live on less than available income
- To stay out of financial trouble

1-5 The Budgeting Process

1. What it is:

- A plan for spending and saving

2. What it takes:

- Choosing a budgeting period
- Estimating expenses and income
- Balancing expenses and income

3. What a budget does for you:

- Puts you in control
- Helps you create a visual spending picture
- Helps you prevent impulse spending
- Helps you decide what you can and cannot afford
- Enables you to keep track of how you spend your money

- Helps you create a savings plan
- Helps you decide how you can protect yourself against the financial consequences of unforeseen events

1-6 Setting Up and Maintaining a Budget

1. Estimate your income
2. Estimate your expenses, to include:
 - Fixed regular monthly expenses
 - Fixed irregular monthly expenses
 - Flexible monthly expenses
 - “Mad money”
3. Estimate your future expenses
 - Begin by keeping a record of everything you spend
 - What are your financial goals and your plans for obtaining those goals?
4. Cope with change
 - Plan for new situations
 - Plan for changing conditions that increase or decrease your expenses
5. Keep your personal and financial goals in mind
 - Set money aside to help meet financial goals
6. Balance your budget
 - Each month, compare your income to your expenses. Continue reworking your budget until your income is greater than your expenses
 - Discuss different budget options available
7. Practice setting up a personal budget

1-7 Tips for Maintaining a Budget

1. Become a good consumer
 - Learn how to get the most for your money
2. Exercise willpower and self-control
 - Try to not indulge in unnecessary spending
3. Develop a good record-keeping system
 - Learn how to maintain a workable budget
4. Evaluate your budget regularly

1-8 Rework a Budget

1. Work with a budgeting sheet
2. Incorporate unforeseen events
3. Compare planned expenses with actual expenses
4. Design a budget, keeping personal and financial goals in mind

LESSON MATERIAL

What are your goals?

List some of your educational, social, financial, family, health/physical, and recreational goals. In some categories you may have more than six goals; in others you may have fewer.

my educational goals include:

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

my social goals include:

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

my financial goals include:

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

my family goals include:

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

my health/physical goals include:

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

my recreational goals include:

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

Working with your goals

What goals are the most important to you?

Choose the two goals from each category that are the most important to you. Identify each goal as short-term (1-4 weeks), medium-term (2-12 months), or long-term (1 year or longer).

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____
9. _____
10. _____
11. _____
12. _____

Prioritize your Goals

List and prioritize six of your most important goals. After each goal, identify what you could be doing now to work toward the goal, and what resources (if any) you need to achieve each goal.

goal #1

What I can be doing now to work toward this goal:

The resources I need to achieve this goal are:

goal #2

What I can be doing now to work toward this goal:

The resources I need to achieve this goal are:

goal #3

What I can be doing now to work toward this goal:

The resources I need to achieve this goal are:

goal #4

What I can be doing now to work toward this goal:

The resources I need to achieve this goal are:

goal #5

What I can be doing now to work toward this goal:

The resources I need to achieve this goal are:

goal #6

What I can be doing now to work toward this goal:

The resources I need to achieve this goal are:

Where does your money come from?

Answer these questions. Be prepared to discuss your answers in class.

1. List your current source(s) of income.
2. What do you expect to be your source(s) of income in the near future?
3. What are your feelings about being financially dependent vs. financially independent?

Where does your money go?

Keep a record of everything you spend during a one-month period. Then, answer the questions below.

1. What patterns can you see in your spending habits?
2. How do you decide what to purchase?
3. What factors do you think influence your purchasing decisions?

Setting Up and Maintaining a Personal Budget

Use this form to set up a personal budget. After you've completed your planning, try to stick to your budget for one month. At the end of the month, record your actual income and your actual expenses. Calculate the difference between what you thought you would earn and what you actually earned, and what you thought you would spend and what you actually spent.

income	budget	actual	difference
Job #1	\$	\$	\$
Job #2	\$	\$	\$
Other	\$	\$	\$
total monthly income	\$	\$	\$

expenses	budget	actual	difference
fixed regular expenses			
Rent	\$	\$	\$
Car insurance	\$	\$	\$
Car payment	\$	\$	\$
Job #1	\$	\$	\$
fixed Irregular expenses			
Savings	\$	\$	\$
Food	\$	\$	\$
Utilities	\$	\$	\$
transportation			
Bus fare	\$	\$	\$
Gas and oil	\$	\$	\$
Parking and tolls	\$	\$	\$
Repairs	\$	\$	\$
other			
Medical expenses	\$	\$	\$
Clothing	\$	\$	\$
Entertainment	\$	\$	\$
Household items	\$	\$	\$
Personal items	\$	\$	\$
Tuition	\$	\$	\$
School expenses	\$	\$	\$
total monthly expenses	\$	\$	\$

Rework a Budget

Use one of the attached budget sheets to set up and maintain Gabrielle's budget. Then, use the other sheet to rework Gabrielle's budget into one that fits your personal lifestyle.

her planned income and expenses

Gabrielle works part-time at a greeting card company and part-time at a record store. The net monthly income from her first job is \$600. The net monthly income from her second job is \$800.

Her planned fixed monthly expenses include:

- \$200 for rent (she shares an apartment with two friends)
- \$175 for car payment
- \$220 for car insurance

Her planned flexible expenses include:

- \$100 (to save for going to trade school)
- \$150 for food
- \$40 for gas and oil
- \$50 for clothes
- \$60 for entertainment
- \$30 for personal items

how her month actually went

1. What she made:

- Gabrielle made \$45 in overtime pay this month

2. What she spent on fixed, regular expenses:

- Rent went up to \$225, starting this month
- Her monthly car payment was \$175
- Her monthly car insurance premium, as of this month, went up to \$295

3. What her flexible expenses actually were:

- \$190 for food (she had a dinner party for which she hadn't budgeted)
- \$60 for gas and oil (her car needed an oil change)
- \$34 for parking and bridge tolls
- \$220 for car repairs
- \$80 for a new pair of running shoes
- \$70 for entertainment
- \$60 for personal items
- \$36 for a birthday present for her mother

4. Her unexpected expenses:

- Gabrielle got two speeding tickets in one week. The total cost of both tickets is \$230.

How does her budget look now?

1. What is the difference between Gabrielle's planned expenses and her actual expenses?
Actual was \$1,675, planned was \$1,025. Difference is \$650. (Taking into account her overtime pay of \$45, she went over budget only \$605.)
2. In what areas did she overspend?
Food, transportation, clothing, entertainment, personal, other (tickets, birthday present)
3. In what areas did she spend less than she planned?
Savings
4. How much did she spend for the use of her car this month?
\$784, not including tickets
5. How much money did she have at the end of the month to put into savings?
None

If it were your budget...

1. Using the attached budget sheet, set up a budget for yourself. Use Gabrielle's income as a starting point. Keep in mind your personal financial goals.
2. What did you change about the budget?
3. How much would you save each month to put toward your personal and financial goals?

ATTACHMENTS

Gabrielle's budget

income	budget	actual	difference
Job #1	\$	\$	\$
Job #2	\$	\$	\$
Other	\$	\$	\$
total monthly income	\$	\$	\$
expenses	budget	actual	difference
fixed regular expenses			
Rent	\$	\$	\$
Car insurance	\$	\$	\$
Car payment	\$	\$	\$
Job #1	\$	\$	\$
fixed Irregular expenses			
Savings	\$	\$	\$
Food	\$	\$	\$
Utilities	\$	\$	\$
transportation			
Bus fare	\$	\$	\$
Gas and oil	\$	\$	\$
Parking and tolls	\$	\$	\$
Repairs	\$	\$	\$
other			
Medical expenses	\$	\$	\$
Clothing	\$	\$	\$
Entertainment	\$	\$	\$
Household items	\$	\$	\$
Personal items	\$	\$	\$
Tuition	\$	\$	\$
School expenses	\$	\$	\$
total monthly expenses	\$	\$	\$

if it were your budget

income	budget	actual	difference
Job #1	\$	\$	\$
Job #2	\$	\$	\$
Other	\$	\$	\$
total monthly income	\$	\$	\$

expenses	budget	actual	difference
fixed regular expenses			
Rent	\$	\$	\$
Car insurance	\$	\$	\$
Car payment	\$	\$	\$
Job #1	\$	\$	\$

fixed Irregular expenses			
Savings	\$	\$	\$
Food	\$	\$	\$
Utilities	\$	\$	\$

transportation			
Bus fare	\$	\$	\$
Gas and oil	\$	\$	\$
Parking and tolls	\$	\$	\$
Repairs	\$	\$	\$

other			
Medical expenses	\$	\$	\$
Clothing	\$	\$	\$
Entertainment	\$	\$	\$
Household items	\$	\$	\$
Personal items	\$	\$	\$
Tuition	\$	\$	\$
School expenses	\$	\$	\$

total monthly expenses	\$	\$	\$
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Lesson Quiz: The Art of Budgeting

True/False

1. The budgeting process starts with monitoring current spending. **F**
2. Most short-term goals are based on activities over the next two or three years. **F**
3. A common long-term goal may involve saving for college for parents of a newborn child. **T**
4. Rent is considered a fixed expense. **T**
5. Flexible expenses stay about the same each month. **F**

Multiple Choice

1. The final phase of the budgeting process is to:
 - a) set personal and financial goals.
 - b) compare your budget to what you have actually spent.
 - c) review financial progress.*
 - d) monitor current spending patterns
2. An example of a long-term goal would be:
 - a) an annual vacation.
 - b) saving for retirement.*
 - c) buying a used car.
 - d) completing college within the next six months.
3. A clearly written financial goal would be:
 - a) "To save money for college for the next five years"
 - b) "To pay off credit card bills in 12 months"
 - c) "To invest in an international mutual fund for retirement"
 - d) "To establish an emergency fund of \$4,000 in 18 months"*
4. An example of a fixed expense is:
 - a) clothing.
 - b) auto insurance.*
 - c) an electric bill.
 - d) educational expenses.
5. _____ is commonly considered a flexible expense.
 - a) Rent
 - b) A mortgage payment
 - c) Home insurance
 - d) Entertainment*

Case Study

Each month Mary and Brad Johnson have lengthy discussions about their household spending. They do not understand why they are continually short of money even though they both have good salaries. What actions might be taken to avoid personal and financial difficulties?

The Johnson's should create a specific spending plan based on their income, needs, and wants. They should decide on various financial goals for their current and future needs. They should regularly revise their budget based on changing situations in their lives.